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UAE VAT Tax Alert

VAT on Total Loss: Transfer of Insured Assets

Directive on Tax Transactions No. 6 of 2026

November 2026

Executive Summary

On 18 November 2026, the Federal Tax Authority issued **Directive on Tax Transactions No. 6 of 2026** on the VAT treatment of transferring an insured asset to the insurer in cases of total loss.

Key points briefly:

- **Not a supply of goods:** the transfer of a total-loss asset to the insurer as part of the claim settlement, without separate consideration.
- **Compensation and assessed value** are not consideration for the transfer of ownership.
- **Administrative steps** such as deregistering the asset do not change the treatment.
- **Insurer's later resale** is a supply of goods by the insurer under the general VAT rules.

WHAT THE DIRECTIVE PROVIDES

Key Provisions
Directive No. 6 of 2026 (18 Nov 2026)

Total Loss Transfer	If an insured asset is a total loss (it cannot be repaired economically or safely) and ownership passes to the insurer in settling the claim, the transfer is **not a supply of goods**, unless made for a **separate consideration**.
Compensation and Value	The **compensation** paid to the insured, and the **value** the insurer sets to assess the loss or compensation, are **not consideration** for the transfer of ownership.
Administrative Steps	The treatment is **not affected** by administrative, regulatory or legal procedures needed to settle the claim or transfer ownership, such as **deregistering the asset**.
Insurer's Resale	When the insurer later **sells or transfers** the asset to another person, that is a **supply of goods by the insurer**, taxed under the **general VAT rules**.

RECOMMENDED ACTIONS

1

Check the Conditions

Confirm the asset is a total loss that cannot be repaired economically or safely, and that ownership passes as part of the claim settlement with no separate payment.

2

Keep the Records

Both the insured and the insurer must keep the documents showing the total loss determination and the settlement of the claim.

3

Review the Insurer's Resale

Insurers: a later sale of the asset is a supply of goods, so apply the general VAT rules to determine its treatment.

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